

**Verizon New England Inc.
d/b/a Verizon Massachusetts**

Commonwealth of Massachusetts

D.T.E. Docket No. 06-61

Respondent: Kathleen Redmond
Title: Senior Staff Consultant

REQUEST: CLEC Coalition, Set #3

DATED: August 28, 2006

ITEM: CLEC 3-2 In Verizon's response to CLEC Coalition 1-24 Verizon states "A Verizon Product Management cost study or analysis, on a per product basis, to determine compensation by product or service was not used in the design, structure and compensation levels established for these plans and therefore is not available." In light of this and with respect to the Verizon Solution Partner Plans provided in response to 1-24, please provide a copy of all financial analyses and supporting Documents used in deriving the compensation levels in the Plans. The requested analyses and Documents should be provided in their native software format such as Microsoft Excel or WORD with all formulas and file links intact. The requested analyses and Documents should also include the Location Life Revenue model and any other comparable model as well as the results from using such models.

REPLY: The compensation structure and levels contained in the 2005 Verizon Solution Partner Plan was based on the 2004 Verizon Solution Partner Plan (VSPP), with minor modification to consolidate and simplify the Product Categories and Tier Levels, moving all partners to the structure where the overall compensation percentage would be paid at 25% for the acquisition and 75% on a monthly residual. The overall compensation percentages were established using the same benchmarking as was used for the 2004 Plan as described below. Other than the available documentation described below for the 2004 Plan, there are no formal financial analyses, models or other formulaic analyses that are known to have been used or available in determining the 2005 Plan compensation levels. The process of updating the 2004 Plan for 2005 was iterative in nature and accomplished through meetings and teleconferences amongst numerous cross-functional departmental members. The Company has searched for minutes, notes

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and other work product that may have been created for both the 2005 and 2004 Plans. They were either not produced or not retained. Additionally, due to restructuring, personnel reassignments and attrition, managers currently responsible for the management of this channel and compensation of agent partners were not involved in development of the 2004 or 2005 Plans and those who were, are on different assignments or have since left Verizon.

The 2004 VSPP which was updated for 2005, initially established the transition from a one-time up-front commission structure, to the acquisition and residual form structure. Verizon's development of this structure and overall compensation levels relied to a great extent on benchmarking the Company's commission levels to industry trends and how other telecommunications service providers were compensating indirect channels, balanced with other strategic priorities. Proprietary research examining compensation arrangement trends among surveyed telecommunications service providers, served as a benchmark to determine how Verizon should compensate its agent partners. Other than this proprietary research, Verizon was only able to find several other documents used in establishing the 2004 VSPP. The proprietary research was conducted for Verizon by a third party research firm. The benchmarking documentation is provided in Attachment I. A presentation prepared for the introduction of the 2004 VSPP to Verizon's agent partners is provided as Attachment II [portions that do not pertain to Verizon's local exchange telephone company retail services have been redacted]. An analysis of the then current 2003 and proposed 2004 compensation structures is included in Attachment III. All attachments are provided subject to the Protective Agreement in this proceeding.